

Platte River

POWER AUTHORITY

2010

Annual Report



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This Annual Report can also be found on Platte River's website at www.prpa.org/finance.

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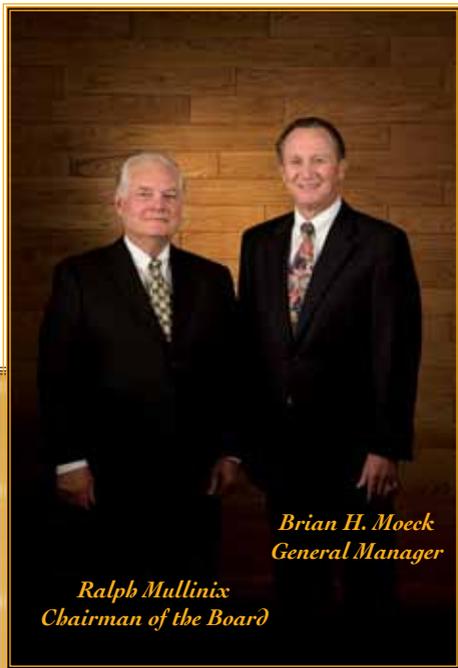
Platte River Power Authority...

...generates and delivers reliable, low-cost and environmentally responsible electricity to its owner communities — Estes Park, Fort Collins, Longmont and Loveland, Colorado — where it is distributed by each municipal utility to residents and businesses.

Platte River's Headquarters is located in Fort Collins and its generating and transmission facilities are located along Colorado's Front Range, in northwestern Colorado and near Medicine Bow and Cheyenne, Wyoming.



Letter to Our Readers



*Brian H. Moeck
General Manager*

*Ralph Mullinix
Chairman of the Board*

A well-known adage says that “out of sight is out of mind.” This tends to be especially true in the case of Platte River’s business—electricity generation and transmission. Except when things go wrong, very little of what we do is considered newsworthy by the media and even less attracts the attention of the consumers we serve.

*At Platte River Power Authority, we work hard to keep the flow of electricity so reliable that no one has even the slightest reason to doubt that lights will go on when a switch is flipped or that there will be adequate power to run their business. In 2010, *Electric Light & Power* magazine recognized the Rawhide Energy Station as one of the three best-utilized coal-fired generation plants in the United States. The performance of the plant is made possible by highly skilled staff and regular preventative maintenance projects like the one that occurred in April. Also in 2010, significant progress was made on the construction of new transmission facilities that will enable Platte River to continue reliable delivery of electricity produced at Rawhide and other sources for a long time to come.*

Over the years, Platte River has undertaken a variety of actions to keep costs down and rates affordable so our owner municipalities—Estes Park, Fort Collins, Longmont and Loveland—can focus their attention on other uses for their money. With the maintenance at Rawhide, we continued our commitment to optimizing

generation efficiency of existing facilities to minimize fuel consumption. In 2010, we also created a defined contribution pension plan for new employees to lessen the volatility of pension funding needs and the associated impacts on revenue requirements and rates.

As a result of many other actions taken in prior years, the wholesale rate Platte River charged to its municipalities in 2010 was only about 22 percent higher than it was back in 1983. In comparison, the U.S. consumer price index for all items increased 118 percent during the same time period.

Nevertheless, despite our best efforts to control costs and manage our finances, market forces and the need for capital investments, such as those made for transmission facilities, have combined to necessitate a Board of Directors-approved 6.1 percent wholesale rate increase that became effective January 1, 2011. Total 2010 operating revenues were \$5.4 million, or 3.0 percent below budget, largely due to two factors: lower than expected municipal energy use resulting in part from a continued slowdown in the economy; and lower than budgeted surplus sales revenues caused by lower surplus sales market prices.

Reliability and affordability aren’t our only goals. We also want our owners—the members of our four communities—to go about their daily lives confident that we’re doing our very best to protect the environment. This involves minimizing the

environmental impacts of our operations and taking steps to reduce electricity consumption. A new state-of-the-art mercury removal system was installed at Rawhide in 2010. The system will allow us to begin removing mercury from emissions two years earlier than the majority of coal-fired generation facilities in Colorado.

Twenty-ten was another successful year for our programs that help customers conserve electricity and we completed an efficiency project that will reduce electricity use at our Headquarters by about 40 percent.

To our satisfaction, the results of our efforts to provide reliable, low-cost and environmentally responsible electricity have not gone unnoticed by the governing bodies of our owner-municipalities. In 2010, they extended the Organic Contract (the intergovernmental agreement that established Platte River and defines its purpose, functions and system of governance) in addition to their Power Supply Agreements with Platte River through the year 2050.

Please take a few minutes to read Platte River’s 2010 Annual Report. While we don’t mind being “out of sight,” we do not want to be “out of mind.” We believe it’s important for the members of our communities and other stakeholders to know more about some of the things we’ve been doing to keep our electricity reliable and rates low, while protecting the beautiful environment we enjoy here in northern Colorado.

Report of Management

Platte River Power Authority's management is responsible for the preparation, integrity and objectivity of the financial statements and related information included in this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles and, where required, reflect amounts based on the best estimates and judgments of management.

Platte River maintains a strong internal control structure designed to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in conformity with generally accepted accounting principles and that assets are safeguarded.

Platte River's internal auditor evaluates internal controls for adherence to company policies and procedures on an ongoing basis and reports findings and recommendations for possible improvements to management. In addition, the independent auditors consider elements of the internal control system in determining the nature and scope of their audit procedures in performing the annual audit of Platte River's financial statements.

The Board of Directors, whose members are not employees of Platte River, periodically meets with the independent auditors and management to discuss the audit scope, audit results and any recommendations to improve the internal control structure. The Board of Directors directly engages the independent auditors.



*Brian H. Moeck
General Manager*



*David D. Smalley
Chief Financial Officer*

Financial Highlights

Years Ended December 31,	2010	2009	2008
<i>Revenues/Expenses (\$000)</i>			
Operating revenues	\$176,222	\$170,940	\$172,386
Operating expenses	162,644	151,930	159,593
Nonoperating revenues (expenses), net	(8,155)	(8,117)	(739)
Income before contributions	\$5,423	\$10,893	\$12,054
<i>Power Operations</i>			
Demand-municipalities (MW)	615	576	634
Energy-municipalities (GWh)	3,112	3,056	3,157
Energy-others (GWh)	1,024	1,150	996
<i>Selected Other Data</i>			
Gross utility plant (\$000)	\$1,259,522	\$1,174,444	\$1,113,577
Long-term debt, net (\$000)	\$275,535	\$296,595	\$273,226
Debt to equity ratio	38/62	40/60	39/61
Total revenue bond coverage	1.58x	1.79x	1.63x



Energy Market Statistics

	2010	2009	2008
Combined Retail Sales for Four Municipalities¹			
Number of Customers (average)			
Residential	128,545	127,174	126,293
Commercial & Industrial	17,734	17,664	17,145
Other	401	398	305
TOTAL	146,480	145,236	143,741
Kilowatt-hour Sales (thousands)			
Residential	1,117,120	1,052,671	1,069,218
Commercial & Industrial	1,910,142	1,884,965	1,978,892
Other	3,680	4,028	3,199
TOTAL	3,030,942	2,941,664	3,051,309
Revenue			
Residential	\$84,795,315	\$75,041,924	\$73,899,487
Commercial & Industrial	110,234,247	102,160,603	101,286,939
Other	1,086,441	1,277,207	886,590
TOTAL	\$196,116,003	\$178,479,734	\$176,073,016
Residential Averages (annual)			
kWh per Customer	8,704	8,277	8,466
Revenue per kWh (cents)	7.59	7.13	6.91
Revenue per Customer	\$660.68	\$590.07	\$585.14
Wholesale Power Requirements			
Peak Demand (kW)			
Estes Park	26,695	25,595	26,456
Fort Collins	282,492	265,154	286,549
Longmont	171,380	162,457	177,648
Loveland	144,522	134,912	153,105
Sum of Municipalities' Peaks	625,089	588,118	643,758
Demand - PRPA Coincident ²	614,787	575,853	633,913
Energy (MWh)			
Estes Park	129,839	130,587	132,408
Fort Collins	1,472,941	1,451,559	1,471,869
Longmont	806,535	796,805	826,403
Loveland	702,481	676,931	726,135
Sum of Municipalities' Energy	3,111,796	3,055,882	3,156,815
Sales to Others and Miscellaneous³	1,117,762	1,231,623	1,088,572
Energy-TOTAL SYSTEM	4,229,558	4,287,505	4,245,387

¹ Compiled from preliminary sales and other reports of the municipalities supplied with electric energy by Platte River.

² The 2010 system peak occurred in July.

³ Includes energy imbalance and exchange agreement settlements.

Operational Highlights — Decisions and Actions

Despite the fact that much of the work performed by utilities goes unnoticed, decisions made and actions taken can affect reliability of service, the environment, costs and rates for many years. In 2010, Platte River established, advanced or completed a number of programs and projects that will benefit its owner municipalities well into the future.

Organic Contract and Power Supply Agreements Signed

Originally entered into on June 17, 1975, the Organic Contract is the agreement among Platte River's owner municipalities that established the utility and defines its purpose, functions and system of governance. In September, the municipalities renewed and extended the Organic Contract through 2050.

Because many of the actions that Platte River takes are long-term in nature (e.g., issuing long-term bonds and building and operating facilities that have an expected useful life of more than thirty years), it has been the practice to extend the term of the Organic Contract roughly every ten years so that the remaining term never falls below thirty years. In 1980, the term of the Organic Contract was extended through the year 2020 and in 1998 it was extended through 2040.

Platte River has separate Power Supply Agreements with each of its owner municipalities by which the municipalities agree to purchase "all electric power and energy which [the Municipality] shall require." These contracts are the lifeblood of Platte River.

They allow Platte River to collect revenues to pay for the resources needed to meet the municipalities' needs for electric power and energy and are the security underlying the bonds that Platte River has issued. Along with the Organic Contract, the Power Supply Agreements were renewed in September to extend through 2050.

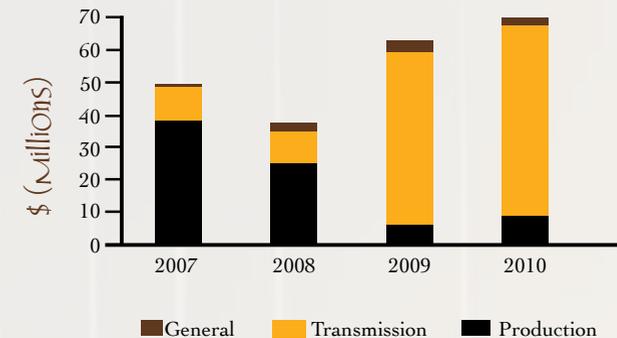


Wholesale Rate Increase Approved

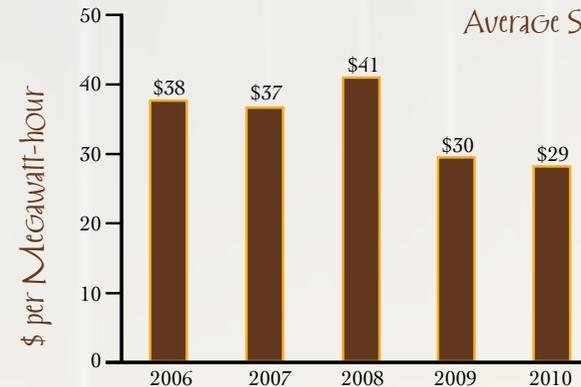
To help Platte River meet operational and financial goals, the Board of Directors approved a 6.1 percent wholesale rate increase effective January 1, 2011. The key drivers of the increase include reduced surplus sales revenues due to declines in wholesale electricity prices, increased capital investment and increased operating and maintenance costs.

Despite this and other rate increases that have been implemented over the past few years, customers served by Platte River's owner municipalities continue to enjoy significantly lower electric rates than those charged by neighboring utilities.

Capital Additions



Average Surplus Sales Prices



A New Defined Contribution Retirement Plan Launched

In March 2010, Platte River's Board of Directors approved a new defined contribution retirement plan—the only plan available to employees hired on or after September 1, 2010. This change will lessen the volatility of pension funding in future years.

More on Mercury Reduction

The State of Colorado has established requirements for reducing mercury emissions from coal-fired power plants. Platte River will reduce mercury emissions at Rawhide to less than 0.0174 pounds per gigawatt-hour of electricity produced by 2012, two years earlier than the majority of coal-fired units in Colorado. By 2018, Rawhide mercury emissions will be reduced to less than 0.0087 pounds per gigawatt-hour.

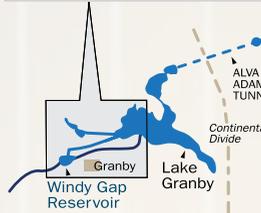
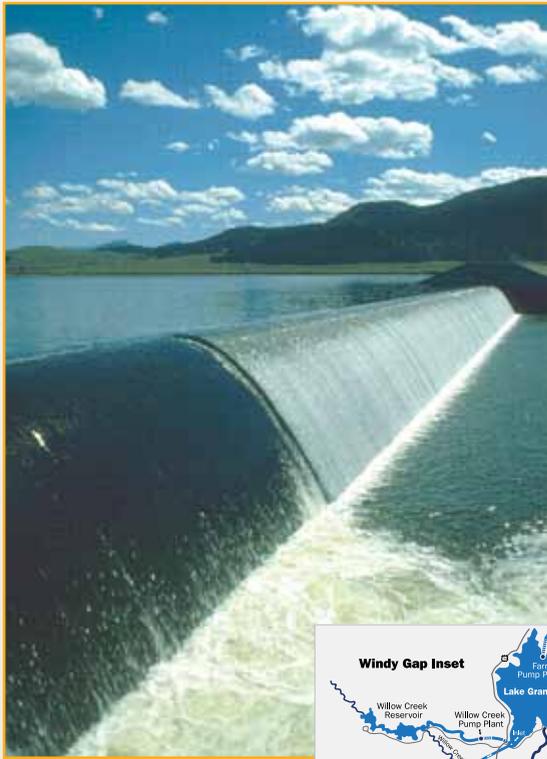
Installation of the state-of-the-art powdered activated carbon injection system that will reduce mercury emissions at Rawhide was completed in October at a lower cost than expected—about \$1.1 million. Based on initial tests of the system, it is currently estimated that annual operating costs will be between \$300,000 and \$350,000 per year through 2017. Platte River will continue to operate the mercury removal system in 2011 to test activated carbon products from a number of vendors prior to seeking a long-term supply contract.

Mercury Concentration Analogy

Reliable technologies for detecting and reducing the relatively minute amounts of mercury emitted from power plants have only recently been developed. The following illustrates concentrations of mercury in Rawhide's emissions.

- Fill the Houston Astrodome with 25.6 billion white ping-pong balls and 7 red ping-pong balls to represent the maximum concentration of mercury in 2012.
- A maximum of 4 red ping-pong balls would be allowed in 2018.





Windy Gap Firming Project



graphic provided by  Northern Water

Windy Gap Firming Project Update

Water is used in the production of power at Rawhide. To help ensure that adequate water is available, Platte River owns rights to 16,000 acre-feet per year from the Windy Gap Project located near Granby, Colorado.

The Windy Gap Project diverts water from the Colorado River to Colorado's Front Range. Due to storage limitations and other factors, Windy Gap owners have had some difficulty in the past relying on Windy Gap deliveries to meet their water needs. The proposed Windy Gap Firming Project (WGFP) involves the construction of a reservoir approximately nine miles southwest of Loveland, Colorado, to store Windy Gap water in order to "firm" the reliability of future deliveries from the Project. Platte River is a participant in the WGFP, along with regional water districts and cities, including Longmont and Loveland.

The U.S. Bureau of Reclamation is expected to publish the Final Environmental Impact Statement for the WGFP by summer 2011 and issue a "record of decision" by year's end. If Reclamation approves the project, a permit from the U.S. Army Corps of Engineers would also be required before construction could begin. In addition, a Fish and Wildlife Mitigation Plan is being prepared for review and approval by the Colorado Department of Wildlife. The Mitigation Plan is anticipated to be completed by summer 2011.

Reliability Standards Internal Audits Completed

Under Section 215 (c) of the Federal Power Act, as an owner and operator of generation and transmission facilities, Platte River must meet mandatory and enforceable reliability standards comprised of 1,280 requirements and sub-requirements. Failure to comply with the standards can result in fines up to \$1 million per violation per day.

The designated enforcement authority performs audits of Platte River's compliance with the reliability standards every three years. The next audit of Platte River is scheduled for 2012. Internal monitoring processes are used to assess compliance risk between audits. During 2010, internal audits were conducted for all of the reliability standards for which Platte River is registered. Additionally, an independent consultant conducted an audit of the Critical Infrastructure Protection Standards. Audit results and recommendations were reported to the Platte River Compliance Committee and General Manager. Self-certification of compliance with all standards was reported to the enforcement authority in 2010.

Transmission Projects Progress

Significant progress was made in 2010 on transmission projects that will enable Platte River to maintain its high level of reliability to the four member municipalities while accommodating future growth in demand for electricity. Planning on these projects began as early as 2003.

Longmont

Construction of a 22-mile transmission project in Longmont continued throughout 2010. The project involves installing a new 230,000 volt line and upgrading existing 115,000 volt lines built in the 1950s and 1960s. Several sections of old 115,000 volt lines were removed, rebuilt and placed back in service during 2010. Construction at Fordham Substation also began during the year. The substation is being expanded to accommodate the new 230,000 volt line and related equipment.

The entire project is expected to be complete in the summer of 2011.

Fort Collins

A 230,000 volt underground transmission line and Platte River's portion of the new Portner Substation in south Fort Collins were completed in the fall of 2010.

Loveland

The underground portion of a project to enhance transmission into Loveland was placed in service in late summer 2010. In the fall, Platte River began the process of installing overhead transmission lines within existing right-of-ways of neighboring utilities. Construction of the Horseshoe Substation— one of the terminals for the project—also started in 2010. All line and substation work for this project is expected to be complete in late 2012.





In 2010, Platte River also started a major rebuild of the East Substation in Loveland. This 1960s vintage substation is being rebuilt and updated to add additional transformer and distribution delivery capacity as well as being redesigned to improve the reliability of the facility. The East Substation project is scheduled for completion in the first half of 2011.

Silver Sage Completes First Year

Platte River has a contract to purchase a portion of the electricity produced by Duke Energy's Silver Sage Windpower Project located near Cheyenne, Wyoming, through September 2029. Silver Sage provided 36,500 megawatt-hours of wind energy to Platte River's communities during 2010, the first full year of the Project's operation.



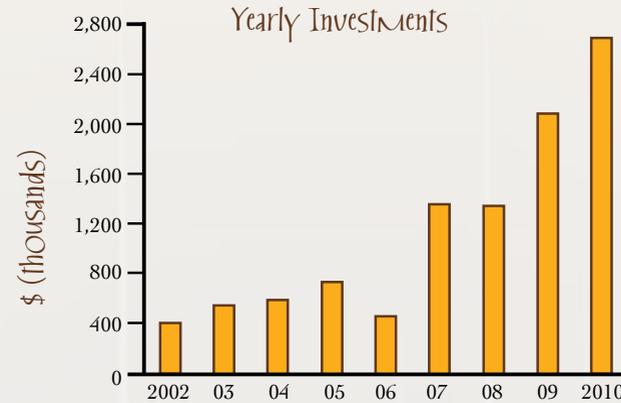
Energy Efficiency Programs Reach New Levels

Wise investments in energy efficiency can pay back in energy savings, cost reductions and improvements to the productivity and comfort of building occupants for many years. Platte River and municipal utility staffs continued to work together in 2010 to offer a number of efficiency programs to customers:

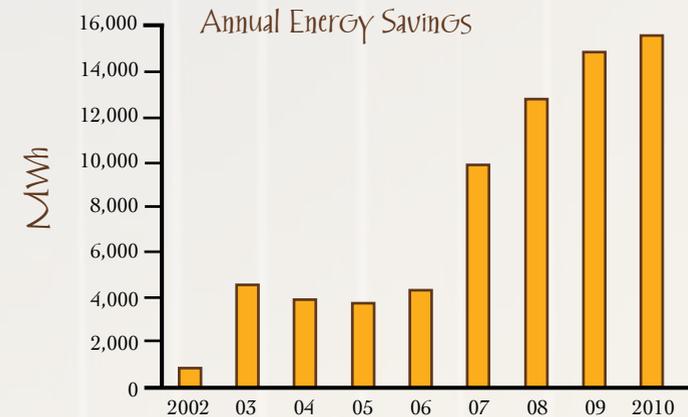
- **LIGHTENUP** and *Electric Efficiency Program* provide commercial and industrial customers with funding for a variety of peak demand-reducing and energy-saving projects.
- *Building Tune-up* provides funding for building retrocommissioning—diagnosing and fixing operational issues of building energy systems not performing to the original design intent or the owner’s operational needs.
- *Lighting with a Twist* (called “Energy-Efficient Lighting Program” in Fort Collins) provides rebates directly to compact fluorescent lamp (CFL) retailers, enabling them to sell energy-saving CFLs to residential customers for discounted prices. A special *Lighting With a Twist* promotion—*The Great Light Bulb Round Up*—took place in Estes Park, Longmont and Loveland in October. Platte River and municipal utility staffs were available at several local retailers to collect and recycle working incandescent bulbs from customers in an effort to encourage them to replace incandescents immediately, rather than wait until the bulbs burn out. In exchange, customers received coupons for discounts on CFL purchases. A similar promotion took place in Fort Collins in November. A total of 4,291 incandescent light bulbs were collected and recycled in the four municipalities.



Energy savings captured through these programs reached an all-time high in 2010. Platte River and the four municipal utilities invested a total of \$2.7 million in projects that will save an estimated 15.7 million kilowatt-hours of electricity, reduce electric bills of participating customers by about \$1 million and could reduce CO₂ emissions by about 11,500 metric tons per year.



Lighting with a Twist





Billions of kilowatt-hours are wasted each year in the U.S. because of incorrectly installed and underperforming heating, ventilation and air conditioning (HVAC) equipment. To help consumers choose a highly skilled contractor, Platte River and Poudre Valley Rural Electric Association jointly offer the SELECT HVAC Program. The central component of the program is a referral list that includes highly skilled local HVAC contractors. In addition to a source of referrals, SELECT HVAC provides participating contractors with access to advanced utility-sponsored training in the most efficient HVAC technologies and processes.

In 2010, SELECT HVAC's first year, twelve contractors were accepted into the program with agreements to abide by a code of ethics, adhere to industry standards for sizing, installation and repair, maintain proper licenses and insurance, allow third party inspections of their work and be an accredited member of the Better Business Bureau. Also in 2010, a website, www.select-hvac.com, was created to promote the program.



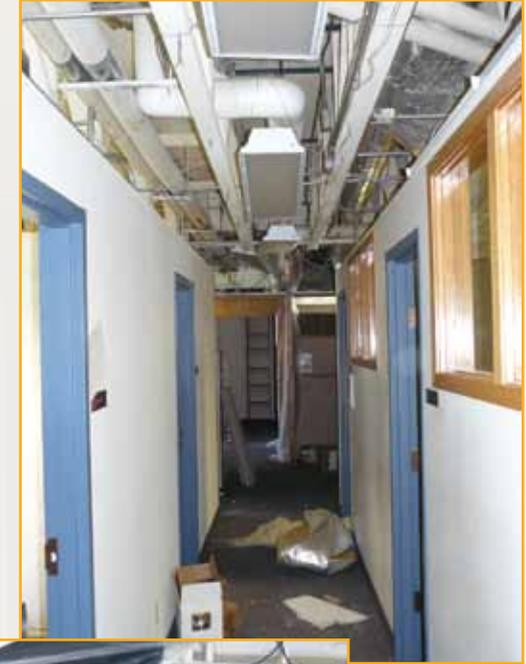
GEO Grant Received

Platte River, Estes Park Light & Power, Fort Collins Utilities and Loveland Water and Power, as a group, were awarded a \$100,000 grant from the Colorado Governor's Energy Office for 2011. The grant is for the development and implementation of a program to provide commercial customers with energy audits and assistance for completing projects that will improve energy efficiency.

Energy Efficiency at Headquarters Improves

In addition to helping customers conserve energy, Platte River completed a project in 2010 that will reduce electricity consumption at its Headquarters building by about 40 percent.

Built in 1978 and expanded in 1980-1981, the main Headquarters building was not well-sealed nor insulated and contained an outdated and poorly functioning heating and cooling system. Throughout the spring and summer of 2010, Platte River's facilities staff managed work that included re-insulation of the building's attic and roofline using spray-foam and installation of a new heating and cooling system that features a water-cooled condenser and state-of-the-art Variable Refrigerant Flow (VRF) technology. The VRF system, the first of its kind installed in Colorado, is highly efficient yet gives employees the ability to control the temperature of their individual work spaces.



Rawhide Scheduled Maintenance Completed

Since beginning commercial operation in 1984, Rawhide Unit One has received regular maintenance to maximize the plant's useful lifetime and reliability, increase efficiency and maintain environmental excellence. The most recent large-scale scheduled maintenance took place April 9 – 16, 2010. Over 300 individual jobs were completed during the week. Some of the more significant jobs included modernization of the turbine valve controls and the unit's digital control system (DCS). The DCS is a complex computer system that controls all critical plant parameters (temperatures, pressures, flows, etc.) and equipment, comparing real-time values with desired set points and changing valve positions, damper positions and pump speeds, accordingly.

Additional jobs completed while the plant was offline included, among others, repair and replacement of coal conveyor belts and water lines, high pressure washing of the reheat and superheat sections of the boiler, a thorough cleaning of condenser tubes and critical motors and routine equipment inspections. The entire project was completed 12 hours earlier than planned and at a cost of about three percent less than budgeted.

As testament to the regular maintenance performed at Rawhide, Unit One was recognized as one of the top three best utilized U.S. coal-fired power plants, based on capacity factor, in the November 2010 issue of *Electric Light & Power* magazine. After 25 years of operation, Unit One achieved a capacity factor of 96.1 percent in 2009 (third highest in the nation), surpassing the previous high of 95.0 percent in 2004. The average annual capacity factor for all U.S. coal-fired power plants is, consistently, about 73 percent.



2010 Board of Directors and Management

Front Row: left to right

- Board Member Bill Pinkham, Mayor, Town of Estes Park*
- Board Vice Chairman Doug Hutchinson, Mayor, City of Fort Collins*
- Board Member Bryan Baum, Mayor, City of Longmont*
- Board Member Cecil Gutierrez, Mayor, City of Loveland*

Back Row: left to right

- Platte River General Counsel Joseph B. Wilson*
- Board Member Brian Janonis, Utilities Executive Director, City of Fort Collins*
- Board Member Tom Roiniotis, Longmont Power & Communications Director*
- *Board Member Reuben Bergsten, Utility Engineer, Town of Estes Park*
- Board Chairman Ralph Mullinix, Director, Department of Water and Power, City of Loveland*
- Platte River General Manager Brian H. Moeck*



**Jacquie Halburnt, Town Administrator, Town of Estes Park replaced Reuben Bergsten on November 1, 2010*



*John R. Bleem
Platte River Division Manager
Customer & Environmental Services*



*Michael H. Dabl
Platte River Division Manager
Electric Operations*



*Jason E. Frisbie
Platte River Division Manager
Power Production*



*Vicki A. Priddle
Platte River Division Manager
Corporate Services**

**Resigned May 2010*



*David D. Smalley
Platte River Chief Financial Officer*

Glossary

Capacity Factor A measure of power plant utilization calculated as the ratio of the actual output of the plant over a period of time to its output if it had operated at full capacity the entire time.

Carbon Dioxide (CO₂) A greenhouse gas that is a by-product of combustion (*see Greenhouse Gas*).

Circuit A pathway through which electricity moves.

Compact Fluorescent Light (CFL) bulb A light bulb made up of a twisted glass tube and an electronic control device—called a ballast—at the base of the tube. A CFL uses up to 75 percent less energy to generate the same amount of light as a traditional incandescent light bulb.

Critical Infrastructure Defined by federal law as “systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters.”

Defined Contribution Retirement Plan A plan that maintains an individual account for each participant and specifies how contributions to the account are determined. Individual account balances are based on employer and employee contributions and investment performance.

Electric System Physically interconnected generating plants, transmission lines, and related equipment operated as an integrated unit.

Gigawatt-hour One billion watt-hours (*see Watt-hour*).

Greenhouse Gas A gaseous component of the atmosphere that traps some of the heat coming from the sun near the Earth’s surface. Greenhouse gases include water vapor, carbon dioxide, methane, nitrous oxide, and chlorofluorocarbons.

Kilowatt One thousand watts (*see Watt*).

Kilowatt-hour One thousand watt-hours (*see Watt-hour*).

Megawatt One million watts (*see Watt*).

Megawatt-hour One million watt-hours (*see Watt-hour*).

Metric Ton 1,000 kilograms (2,205 pounds).

Substation An electric system facility used to change voltage from one level to another and/or switch circuits or lines in- and out-of-service (*see Circuit, Electric System and Voltage*).

Surplus Sales Sales of energy and power generated in excess of the amount needed by Platte River’s owner municipalities.

Transformer A device used to raise or lower voltage. For example, electricity is transported over long distances in high-voltage power lines and then transformers lower the voltage so that the electricity can be used by household appliances. (*see Voltage*).

Transmission Lines A system of structures, wires and associated equipment that carry electricity from one point to another in an electric system. Lines are operated at relatively high voltages varying from 69 thousand volts up to 765 thousand volts, and are capable of transmitting large quantities of electricity over long distances (*see Electric System and Voltage*).

Volt Unit of measure for voltage (*see Voltage*).

Voltage The force that causes electricity to flow through a circuit (*see Circuit*).

Watt A unit of electric power.

Watt-hour The amount of energy used in one hour by a device requiring one watt of electricity for operation (*see Watt*).

Platte River Power Authority

Accountants' Report and Financial Statements Years Ended December 31, 2010 and 2009

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Independent Accountants' Report on Financial Statements And Supplementary Information

*The Board of Directors
Platte River Power Authority
Fort Collins, Colorado*

We have audited the accompanying basic financial statements of Platte River Power Authority (Platte River) as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of Platte River's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Platte River Power Authority as of December 31, 2010 and 2009, and changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

March 7, 2011



Platte River Power Authority Management's Discussion and Analysis December 31, 2010 and 2009

This discussion and analysis provides an overview of the financial performance of Platte River Power Authority (Platte River) for the fiscal years ended December 31, 2010 and December 31, 2009. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

Platte River operates as a utility enterprise and follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Platte River has implemented all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements are prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Highlights

- Capital investments of \$58.9 million were made in 2010 toward upgrades and expansion of the existing transmission system. Expenditures to complete these projects will continue through 2011. Other capital expenditures of \$10.9 million were made in 2010 for production and general additions including the installation of a mercury removal system at Rawhide Unit 1.
- The Series HH Power Revenue Bonds issued in 2009 for \$114.3 million provided funding for the transmission system upgrades. In 2010, \$5.1 million of the interest costs on the bonds was charged to the capital projects as an allowance for funds used during construction.
- During 2010, a 10-day maintenance outage for Rawhide Unit 1 and a 22-day maintenance outage for Craig Unit 2 were completed as scheduled. These outages will help to provide reliable generation resources.
- Renewable wind generation in 2010 increased 66% with a full year of deliveries under a long-term purchase agreement for 12 megawatts from the Silver Sage Wind Project.
- Municipal sales increased \$11.1 million in 2010 over 2009 as the result of load growth and an increase in rates. This increase was partially offset by a decrease of \$5.8 million in surplus sales resulting from lower market prices and lower energy sales.
- Platte River reported income before contributions of \$5.4 million in 2010, down from the \$10.9 million reported in 2009. This decrease is primarily due to an increase in operating expenses partially offset by an increase in operating revenues.

Condensed Financial Statements

The following condensed balance sheets and condensed statements of revenues, expenses and changes in net assets summarize Platte River's financial position and changes in financial position for 2010, 2009, and 2008.

Condensed Balance Sheets

	2010	December 31, 2009	2008
	<i>(In thousands)</i>		
Assets:			
Electric utility plant	\$619,731	\$582,922	\$552,177
Special funds and investments	80,639	134,902	128,228
Current and other assets	72,273	72,803	68,003
Total assets	\$772,643	\$790,627	\$748,408
Liabilities and net assets:			
Liabilities			
Noncurrent liabilities	\$285,832	\$303,567	\$202,745
Current liabilities	39,990	45,507	114,848
Total liabilities	325,822	349,074	317,593
Net assets			
Invested in capital assets, net of related debt	326,761	318,483	252,615
Restricted	23,940	24,558	24,813
Unrestricted	96,120	98,512	153,387
Total net assets	446,821	441,553	430,815
Total liabilities and net assets	\$772,643	\$790,627	\$748,408

Net Assets

Total net assets at December 31, 2010 were \$446.8 million, an increase of \$5.3 million over 2009. In 2009, net assets totaled \$441.5 million, an increase of \$10.7 million over 2008.

Management's Discussion and Analysis December 31, 2010 and 2009 (continued)

Condensed Financial Statements (continued)

- *Electric utility plant* increased \$36.8 million during 2010 as the result of significant capital expenditures for the transmission system expansion and other capital additions. In 2009, electric utility plant increased \$30.7 million with a majority of the expenditures for the transmission system expansion. Additional details about electric utility plant can be found in Note 4 to the financial statements.
- *Special funds and investments* at December 31, 2010 decreased \$54.3 million from December 31, 2009. The decrease was primarily the result of transmission capital expenditures from the Series HH construction fund. Special funds and investments increased \$6.7 million in 2009, due to an increase in restricted funds and investments resulting from the issuance of the Series HH Power Revenue Bonds partially offset by a reduction in dedicated funds and investments used to redeem the Series S-1 Subordinate Lien Bonds.
- *Current and other assets* decreased \$0.5 million at December 31, 2010 as a result of a decrease in cash and cash equivalents, partially offset by an increase in deferred charges. In 2009, current and other assets increased \$4.8 million as a result of an increase in cash and cash equivalents and an increase in accounts receivable.
- *Noncurrent liabilities* decreased \$17.7 million in 2010 as the result of scheduled principal debt payments, partially offset by an increase in regulatory liabilities for the accrual of maintenance outage expenses. The \$100.8 million increase in 2009 over 2008 was the result of an increase in long-term debt with the issuance of the Series HH Power Revenue Bonds. Additional details about long-term debt can be found in Note 7 to the financial statements.
- *Current liabilities* decreased \$5.5 million in 2010 due to lower current maturities on long-term debt and lower accounts payable at the end of the year. Current liabilities decreased \$69.3 million in 2009 as a result of redeeming the \$77.7 million Series S-1 Subordinate Lien Bonds. This was partially offset by a \$7.7 million increase in accounts payable resulting from an increase in construction work in progress activity at the end of the year.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended December 31,		
	2010	2009	2008
	<i>(In thousands)</i>		
Operating revenues	\$176,222	\$170,940	\$172,386
Operating expenses	162,644	151,930	159,593
Operating income	13,578	19,010	12,793
Nonoperating revenues (expenses)	(8,155)	(8,117)	(739)
Income before contributions	5,423	10,893	12,054
Contributions of assets to municipalities	(155)	(155)	(155)
Change in net assets	5,268	10,738	11,899
Beginning net assets	441,553	430,815	418,916
Ending net assets	\$446,821	\$441,553	\$430,815

Changes in Net Assets

Income before contributions of \$5.4 million was reported in 2010, a decrease of \$5.5 million from 2009. This change was primarily due to an increase in operating expenses partially offset by an increase in operating revenues. In 2009, income before contributions was \$10.9 million, a decrease of \$1.2 million from 2008 due to a decrease in nonoperating revenues and an increase in nonoperating expenses, partially offset by an increase in operating income.

- *Operating revenues* in 2010 increased \$5.3 million from 2009. This increase is due to an \$11.1 million increase in municipal sales partially offset by a \$5.8 million decrease in surplus sales. In 2009, operating revenues decreased \$1.5 million from 2008 due to a \$2.8 million decrease in surplus sales partially offset by a \$1.3 million increase in municipal sales.
- *Operating expenses* in 2010 increased \$10.7 million over 2009. This increase was primarily due to expenses for scheduled maintenance outages for Rawhide Unit 1 and Craig Unit 2 and other increases in operating expenses. Operating expenses in 2009 decreased \$7.7 million from 2008. This decrease was primarily due to lower purchased power, fuel, and operations and maintenance costs as a result of a planned major maintenance outage completed at Rawhide Unit 1 in the fall of 2008.

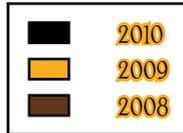
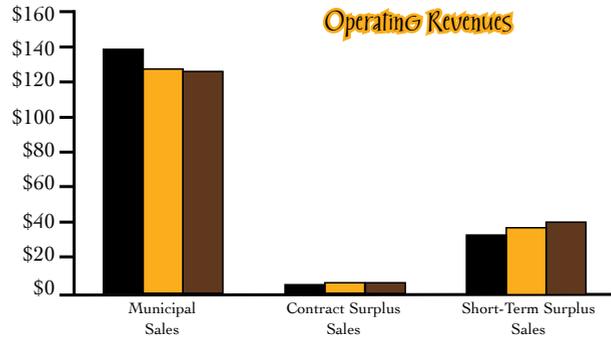
Management's Discussion and Analysis December 31, 2010 and 2009 (continued)

Condensed Financial Statements (continued)

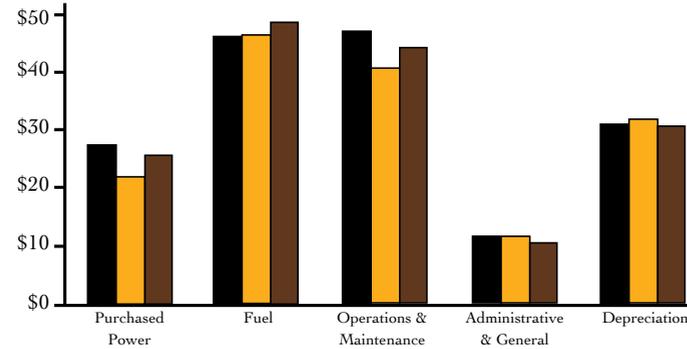
Changes in Net Assets (continued)

- *Nonoperating expenses, net*, in 2010 were approximately the same as in 2009. Decreases in interest and other income were offset by a decrease in interest expense, an increase in the allowance for funds used during construction and a net increase in the fair value of investments. In 2009, nonoperating expenses, net, increased approximately \$7.4 million from 2008 due to decreases in interest income, other income, and a net decrease in fair value of investments. Interest expense in 2009 was offset by a portion of the Series HH Bond interest classified as an allowance for funds used during construction.

Operating Revenues and Expenses
(in millions)



Operating Expenses



Debt Ratios

Platte River's ratings on its Power Revenue Bonds were as follows as of December 31, 2010 and 2009:

Bond Issue	Moody's	S&P	Fitch
Power Revenue Bonds			
Series EE	Aa2	AA	AA
Series GG	Aa2	AA	AA
Series HH	Aa2	AA	AA

Budgetary Highlights

Platte River's Board of Directors approved the 2010 Annual Budget with total revenues of \$184.8 million, operating expenses of \$135.9 million, debt service expenditures of \$29.7 million and capital additions of \$72.6 million. A majority of the capital additions funding was provided from the proceeds of the Series HH Bonds. The following budgetary highlights are presented on a non-GAAP budgetary basis.

Management's Discussion and Analysis

December 31, 2010 and 2009 (Continued)

Budgetary Highlights (Continued)

Total operating revenues of \$176.2 million ended the year \$5.4 million, or 3.0%, below budget. Municipal sales of \$138.3 million were \$2.1 million below budget due to below-budget variances in billing demand and energy deliveries resulting from energy efficiency efforts and a continued slowdown in the economy. Surplus sales totaled \$38.0 million in 2010 and were \$3.3 million below budget. The largest factor causing this variance was lower surplus sales market prices.

Operating expenses totaled \$131.9 million and were \$4.0 million, or 2.9%, below budget. Production expenses had the largest variance at \$1.9 million below budget primarily due to lower-than-projected maintenance costs for Rawhide Unit 1. Transmission expenses were \$1.1 million below budget with lower-than-projected maintenance costs and lower wheeling expenses for wind energy. Administrative and general expenses were \$0.7 million below budget due to an overall reduction in expenditures.

Debt service expenditures, net of allowance for funds used during construction, totaled \$29.4 million and were \$0.3 million below budget. This variance is due to a higher allowance for funds used during construction resulting from construction delays in some of the transmission projects.

Capital additions of \$69.8 million in 2010 were \$2.8 million below budget. This variance was the result of below-budget production additions, partially offset by above-budget transmission and general additions.

Platte River Power Authority

Balance Sheets

	December 31,	
	2010	2009
	<i>(In thousands)</i>	
Assets		
Electric utility plant, at original cost <i>(Notes 5 and 4)</i> :		
Land and land rights	\$14,128	\$14,128
Plant and equipment in service	1,107,983	1,081,245
Less: accumulated depreciation	(619,791)	(591,522)
Plant in service, net	502,320	503,851
Construction work in progress	117,411	79,071
Total electric utility plant	619,731	582,922
Special funds and investments <i>(Note 5)</i> :		
Restricted funds and investments	53,892	88,970
Dedicated funds and investments	46,747	45,932
Total special funds and investments	80,639	134,902
Current assets:		
Cash and cash equivalents <i>(Notes 5 and 5)</i>	4,475	8,295
Other temporary investments <i>(Note 5)</i>	21,104	20,750
Accounts receivable—municipalities	11,548	11,337
Accounts receivable—other	8,970	8,808
Fuel inventory, at last-in, first-out cost	7,067	7,400
Materials and supplies inventory, at average cost	9,949	9,788
Prepayments and other assets	1,014	707
Total current assets	64,127	67,085
Deferred charges and other assets, net of amortization <i>(Note 5)</i>		
Regulatory asset <i>(Note 9)</i>	2,529	—
Other deferred charges	5,617	5,718
Total deferred charges and other assets	8,146	5,718
Total assets	\$772,643	\$790,627
Liabilities and net assets		
Noncurrent liabilities <i>(Notes 5, 6, 7 and 8)</i> :		
Long-term debt, net	\$256,170	\$275,090
Capitalized lease obligation	16,613	18,822
Regulatory liabilities and credits <i>(Note 9)</i>	6,446	3,243
Deferred/accrued liabilities	6,603	6,412
Total noncurrent liabilities	285,832	303,567
Current liabilities:		
Current maturities of long-term debt <i>(Note 6)</i>	19,365	21,505
Current portion of capitalized lease obligation <i>(Note 6)</i>	2,209	2,103
Accounts payable	15,693	19,303
Accrued interest	1,156	1,247
Accrued liabilities and other	1,567	1,349
Total current liabilities	39,990	45,507
Total liabilities	325,822	349,074
Net assets:		
Invested in capital assets, net of related debt <i>(Note 10)</i>	326,761	318,483
Restricted	23,940	24,558
Unrestricted	96,120	98,512
Total net assets	446,821	441,553
Total liabilities and net assets	\$772,643	\$790,627

See accompanying notes.

Platte River Power Authority Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended December 31,	
	2010	2009
	<i>(In thousands)</i>	
Operating revenues (Note 5):		
Sales to municipalities	\$158,264	\$127,142
Sales for resale and other	37,958	43,798
Total operating revenues	176,222	170,940
Operating expenses:		
Purchased power	27,509	21,850
Fuel	46,297	46,342
Operations and maintenance	46,915	40,763
Administrative and general	11,319	11,363
Depreciation	30,604	31,612
Total operating expenses	162,644	151,930
Operating income	13,578	19,010
Nonoperating revenues (expenses) (Notes 5 and 7):		
Interest income	2,058	4,033
Other income	430	1,366
Interest expense	(14,915)	(15,487)
Allowance for funds used during construction	5,060	3,355
Net decrease in fair value of investments (Note 5)	(788)	(1,384)
Total nonoperating revenues (expenses)	(8,155)	(8,117)
Income before contributions	5,423	10,893
Contributions of assets to municipalities (Note 15)	(155)	(155)
Change in net assets	5,268	10,738
Net assets at beginning of year	441,553	430,815
Net assets at end of year	\$446,821	\$441,553

See accompanying notes.

Platte River Power Authority Statements of Cash Flows

	Years Ended December 31,	
	2010	2009
	<i>(In thousands)</i>	
Cash flows from operating activities		
Receipts from customers	\$173,262	\$169,501
Payments for operating goods and services	(103,996)	(96,208)
Payments for employee services	(24,865)	(23,460)
Net cash provided by operating activities	44,401	49,833
Cash flows from capital and related financing activities		
Additions to electric utility plant	(53,742)	(47,540)
Payments from accounts payable incurred for electric utility plant additions	(11,462)	(3,903)
Additions to deferred charges and other assets	(2,672)	(302)
Proceeds from issuance of long-term debt	-	121,058
Principal payments on long-term debt	(21,505)	(98,285)
Interest payments on long-term debt	(14,293)	(14,274)
Contribution of assets to municipalities	(155)	(155)
Net cash used in capital and related financing activities	(103,829)	(43,401)
Cash flows from investing activities		
Purchases and sales of temporary and restricted investments, net	53,387	(10,502)
Interest and other income, including realized gains and losses	2,221	6,634
Net cash provided by (used in) investing activities	55,608	(3,868)
(Decrease) increase in cash and cash equivalents	(3,820)	2,564
Balance at beginning of year in cash and cash equivalents	8,295	5,731
Balance at end of year in cash and cash equivalents	\$4,475	\$8,295
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$13,578	\$19,010
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,604	31,612
Changes in assets and liabilities:		
Decrease in fuel and materials and supplies inventories	172	277
Increase in other assets	(680)	(2,027)
(Decrease) increase in current operating liabilities	(459)	288
Increase in other liabilities	1,186	673
Net cash provided by operating activities	\$44,401	\$49,833
Noncash capital and related financing activities		
Additions of electric utility plant through incurrence of accounts payable	\$8,611	\$11,462
Amortization of bond related costs	689	849

See accompanying notes.

Platte River Power Authority

Notes to Financial Statements

December 31, 2010 and 2009

1. Organization

Platte River Power Authority (Platte River) was organized in accordance with Colorado law as a separate governmental entity by the four municipalities of Estes Park, Fort Collins, Longmont, and Loveland. Platte River contracted to supply the wholesale electric power and energy requirements of each of these municipalities (except for energy produced by each municipality's hydro facilities in service at September 1974). These contracts currently extend through December 31, 2050. Each of the four participant municipalities has a residual interest in Platte River's assets and liabilities upon dissolution, which is proportional to the total revenue received from each municipality since Platte River was organized, less any contributions previously distributed. Based upon electric revenues billed from inception through December 31, 2010, these residual interests are approximately as follows:

	<u>Residual Interest</u>
City of Fort Collins	48%
City of Longmont	26%
City of Loveland	21%
Town of Estes Park	5%
	100%

Under Colorado law and the municipal contracts, Platte River's Board of Directors has the exclusive authority to establish the electric rates to be charged to the member municipalities. Platte River must follow specified statutory procedures, including public notice and holding a hearing to receive public comments, before adopting an annual budget and implementing any changes in the electric rates.

2. Operations

Rawhide Energy Station

The Rawhide Energy Station consists of Rawhide Unit 1, a 280-megawatt (net) coal-fired generating facility, a cooling pond, coal-handling facilities, related transmission facilities, and five simple-cycle gas-fired peaking units. Peaking Units A through D have a summer peaking capacity of 65 megawatts each. The fifth unit, Unit F, was placed in service in June 2008, adding an additional 128 megawatts of capacity. The Rawhide Energy Station facilities are wholly owned and operated by Platte River.

Yampa Project

Platte River owns 18%, or 154 megawatts, of Craig Units 1 and 2 of the Yampa Project as a tenant-in-common with four other electric utilities. The current Yampa Project Participation Agreement took effect on April 15, 1992. On or before June 1, 2011, any participant may notify the other participants of their election to withdraw from the Yampa Project. A withdrawal would then be completed by transferring its rights, titles and interest to the remaining participants as of June 1, 2014. The Yampa Project consists of 856 megawatts of coal-fired generation and associated transmission plant facilities located near the town of Craig in northwestern Colorado. Platte River's share of the plant investment is included in plant in service, net, in the accompanying balance sheets. Platte River's share of operating expenses of the Yampa Project is included in operating expenses in the accompanying statements of revenues, expenses and changes in net assets. Separate financial statements for the Yampa Project are not available. In addition, Platte River and all but one of the other Yampa Participants own Trapper Mining, Inc., which owns and operates the adjacent coal mine that supplies the majority of Craig Units 1 and 2 fuel needs.

Medicine Bow Wind Project

Platte River owns and operates nine wind turbines with a total capacity output of 5.8 megawatts near the town of Medicine Bow, Wyoming. Platte River has acquired a long-term lease with annual payments based on a percentage of imputed revenues from the wind energy sales. The site lease payments are recorded as an operations and maintenance expense.

3. Summary of Significant Accounting Policies

Reporting Entity

For financial reporting purposes, Platte River meets the criteria of an "other stand-alone government" and has no component units as defined in Governmental Accounting Standards Board (GASB) Statements No. 14 and 39, *The Financial Reporting Entity* and *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, respectively. As a municipal utility and a separate governmental entity, Platte River is exempt from taxes on its property and income.

Basis of Accounting

Platte River accounts for its financial operations as a "proprietary fund" and the accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America. In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Platte River

Notes to Financial Statements

December 31, 2010 and 2009 (Continued)

3. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

follows all applicable GASB pronouncements and only Financial Accounting Standards Board Statements issued prior to November 30, 1989, that do not conflict with or contradict GASB pronouncements. Platte River's accounts are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Budgetary Process

A formal budgetary process is required by Colorado State Local Government Law and is utilized as a management control tool. A proposed annual budget must be submitted to Platte River's Board of Directors by October 15 of each year. Following public hearings, the budget is considered for adoption by the Board on or before December 31. Since Platte River operates as an enterprise, it is not subject to Colorado's Taxpayers' Bill of Rights (TABOR) provisions. All budget appropriations, except capital additions, lapse at the end of the year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Electric Utility Plant and Depreciation

Electric utility plant is stated at the historical cost of construction. Construction costs include labor, materials, contracted services, and the allocation of indirect charges for engineering, supervision, transportation, and administrative expenses. The cost of additions to utility plant and replacement property units is capitalized. Repairs, maintenance, and minor replacement costs are charged to expense when incurred. When construction is debt-financed, an allowance for borrowed funds used during construction is included in the project cost.

Depreciation is recorded using the straight-line method over the estimated useful lives of the various classes of plant in service, which range from 5 to 50 years. Depreciation expense was approximately 3% of depreciable property for the years 2010 and 2009. The original cost of property replaced or retired, and removal costs less salvage, are charged to accumulated depreciation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Platte River considers all cash on deposit with financial institutions and highly liquid investments with an original maturity of less than three months, excluding special funds and investments, as cash and cash equivalents.

Closure and Postclosure Care Costs of Disposal Facility

Platte River accrues a liability of estimated future closure and postclosure care costs for its Rawhide Energy Station ash disposal facility. The liability is determined by multiplying the estimated closure and postclosure care costs in current dollars by the percentage of the disposal facility's total estimated capacity used through the end of the year.

Long-Term Debt

The difference between the reacquisition price and the net carrying amount of refunded debt (deferred amount on refundings) in an advance refunding transaction is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the defeased debt or the life of the new debt. The deferred amount is reported as a deduction from or an addition to long-term debt.

Energy Risk Management

Platte River has established a formal energy risk management program to manage its exposure to risks associated with wholesale energy and natural gas market price fluctuations. Under Board of Directors approved policies, Platte River may use various physical and financial instruments, such as physical forward contracts, futures, swaps, and option agreements. These transactions are hedges and any expense, gain or loss that is realized on these transactions is recorded as purchased power or fuel expense in the accompanying statements of revenues, expenses and changes in net assets.

During 2010 and 2009, Platte River entered into natural gas swap contracts to fix prices for the purpose of hedging against natural gas price fluctuations. The contracts are based on the Colorado Interstate Gas Co. (CIG) index published in *Gas Daily*. Swap contracts at December 31, 2010 include 40,000 mmBtu at an average fixed price of \$4.22 per mmBtu, which expire in July and August 2011. At December 31, 2009, Platte River had swap contracts for 40,000 mmBtu at an average fixed price of \$5.19 per mmBtu, which expired in July and August 2010. These contracts had a negative fair value of \$3,000 as of December 31, 2010 and a positive fair value of \$6,000 as

Notes to Financial Statements December 31, 2010 and 2009 (continued)

3. Summary of Significant Accounting Policies (continued)

Energy Risk Management (continued)

of December 31, 2009, based on price estimates provided by Goldman Sachs & Company, Citigroup and JPMorgan, Platte River's counterparties for the swap contracts. As a result of hedging contracts, there was an increase in fuel expense of \$71,000 for the year ended December 31, 2010 and an increase of \$250,000 for the year ended December 31, 2009. No cash was paid or received by Platte River when the contracts were initiated. Platte River is the fixed price payer. The natural gas swap contracts are considered normal purchase contracts because Platte River takes delivery of the natural gas. Thus, the contracts are not included in the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and costs directly related to the generation, purchase, and transmission of electricity. Operating revenues are billed and recorded at the end of each month for all electricity delivered. Revenues and expenses related to financing, investing, and other activities are considered to be nonoperating.

Regulatory Accounting

As a Board-regulated entity, Platte River is subject to the provisions of Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) Topic 980, which requires the effects of the rate-making process to be recorded in the financial statements. Accordingly, certain expenses and revenues normally reflected in the statements of revenues, expenses and changes in net assets as incurred are recognized when they are included in Platte River's wholesale rates. Platte River has recorded various regulatory assets and liabilities to reflect the rate-making process. (Note 9.)

Deferred Charges and Other Assets

Deferred charges and other assets reflect unamortized power revenue bond issuance costs, deferred post-mining Trapper Mine reclamation costs, charges incurred in conducting project feasibility studies, deferred pension expenses to be recovered in future years, and other miscellaneous deferred charges.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is Platte River's policy to use restricted funds first, for their intended purposes only, based on the bond resolutions.

Recent Accounting Pronouncements

In 2010, Platte River implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of GASB 51 had no impact on the financial statements because Platte River's accounting policies for intangible assets are consistent with this statement and the implementation of GASB 53 also had no impact on the financial statements.

4. Electric Utility Plant

Electric utility plant asset activity for the year ended December 31, 2010, was as follows:

	December 31 2009	Increases	Decreases	December 31 2010
	<i>(In thousands)</i>			
Nondepreciable assets:				
Land and land rights	\$14,128	\$ -	\$ -	\$14,128
Construction work in progress	79,071	69,723	(31,383)	117,411
	93,199	69,723	(31,383)	131,539
Depreciable assets:				
Production plant	864,558	7,757	(3,058)	869,257
Transmission plant	185,910	19,292	(155)	205,047
General plant	30,777	4,637	(1,735)	33,679
	1,081,245	31,686	(4,948)	1,107,983
Less accumulated depreciation	(591,522)	(30,604)	2,335	(619,791)
Total electric utility plant	\$582,922	\$70,805	\$(33,996)	\$619,731

Notes to Financial Statements December 31, 2010 and 2009 (continued)

4. Electric Utility Plant (continued)

Electric utility plant asset activity for the year ended December 31, 2009, was as follows:

	December 31		December 31	
	2008	Increases	Decreases	2009
	<i>(In thousands)</i>			
Nondepreciable assets:				
Land and land rights	\$14,128	\$ -	\$ -	\$14,128
Construction work in progress	22,569	64,542	(8,040)	79,071
	36,697	64,542	(8,040)	93,199
Depreciable assets:				
Production plant	866,956	3,978	(6,376)	864,558
Transmission plant	179,820	2,107	3,983	185,910
General plant	30,104	2,516	(1,843)	30,777
	1,076,880	8,601	(4,236)	1,081,245
Less accumulated depreciation	(561,400)	(31,612)	1,490	(591,522)
Total electric utility plant	\$552,177	\$41,531	\$(10,786)	\$582,922

5. Cash and Investments

Investment of Platte River's funds is administered in accordance with Colorado law and Platte River's General Power Bond Resolution, Fiscal Resolution, and Investment Policy. Accordingly, Platte River may only invest in obligations of the United States government and its agencies and other investments permitted under Colorado law. Platte River records its investments at their estimated fair market values. The unrealized holding gains and losses on these investments are included in net increase (decrease) in fair value of investments in the statements of revenues, expenses and changes in net assets.

The fair value of investments is presented on the balance sheet as special funds and investments, cash and cash equivalents, and other temporary investments. Special funds and investments are either internally dedicated by Board Resolution (dedicated funds and investments) or restricted as to use by Platte River's General Power Bond Resolution (restricted funds and investments). The fair value of investments, exclusive of accrued interest of \$191,000 and \$609,000 as of December 31, 2010 and 2009, respectively, are shown in the following tables.

As of December 31, 2010, Platte River had the following cash and investments and related maturities:

Cash and Investment Type	Fair Value	Investment Maturities (in years)				
		Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5
	<i>(In thousands)</i>					
U.S. Treasuries	\$19,365	\$14,935	\$4,430	\$ -	\$ -	\$ -
U.S. Agencies:						
FFCB	9,523	9,523	-	-	-	-
FHLB	8,696	6,705	1,991	-	-	-
FHLMC	6,855	6,855	-	-	-	-
FNMA	20,682	16,687	3,995	-	-	-
TLGP Corporate Notes	5,865	2,438	3,427	-	-	-
Total securities	70,986	57,143	13,843	-	-	-
Certificates of deposit	13,190	4,869	5,289	3,032	-	-
Cash & money market funds	21,851	21,851	-	-	-	-
Total cash and investments	\$106,027	\$83,863	\$19,132	\$3,032	\$ -	\$ -

Balance sheet presentation of cash, cash equivalents and investments is as follows as of December 31, 2010:

	Fair Value	Accrued Interest	Total
	<i>(In thousands)</i>		
Restricted funds and investments	\$33,850	\$42	\$33,892
Dedicated funds and investments	46,651	96	46,747
Cash and cash equivalents	4,474	1	4,475
Other temporary investments	21,052	52	21,104
Total investments	\$106,027	\$191	\$106,218

Notes to Financial Statements December 31, 2010 and 2009 (continued)

5. Cash and Investments (continued)

As of December 31, 2009, Platte River had the following cash and investments and related maturities:

Cash and Investment Type	Fair Value	Investment Maturities (in years)				
		Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5
<i>(In thousands)</i>						
U.S. Treasuries	\$22,946	\$20,959	\$1,987	\$ -	\$ -	\$ -
U.S. Agencies:						
FFCB	20,985	11,202	9,783	-	-	-
FHLB	35,676	28,229	5,106	2,341	-	-
FHLMC	10,828	10,828	-	-	-	-
FNMA	13,937	10,475	3,462	-	-	-
TLGP Corporate Notes	9,243	3,361	2,475	3,407	-	-
Total securities	113,615	85,054	22,813	5,748	-	-
Certificates of deposit	14,267	9,448	4,819	-	-	-
Cash & money market funds	35,456	35,456	-	-	-	-
Total cash and investments	\$163,338	\$129,958	\$27,632	\$5,748	\$ -	\$ -

Balance sheet presentation of cash, cash equivalents and investments is as follows as of December 31, 2009:

	Fair Value	Accrued Interest	Total
<i>(In thousands)</i>			
Restricted funds and investments	\$88,629	\$341	\$88,970
Dedicated funds and investments	45,758	174	45,932
Cash and cash equivalents	8,294	1	8,295
Other temporary investments	20,657	93	20,750
Total investments	\$163,338	\$609	\$163,947

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, Platte River's investment policy and Colorado state statutes limit the investment portfolio to maturities of five years or less. Platte River uses a laddered approach to investing funds based on projected cash flows. The assumed maturity date for callable securities is based on market conditions as of December 31, 2010. If the price of the security is above its call price, the security is assumed to be redeemed on its next call date.

Credit Risk

Platte River's investment policy allows investments in local government investment pools and money market funds. As of December 31, 2010, Platte River maintained investments in two funds managed by the local government investment pool Colorado Local Government Liquid Asset Trust (Colotruster). Colotruster Prime is rated AAA by Standard and Poor's Ratings Services (S&P). Colotruster Plus+ is rated AAA by three rating agencies: S&P, Moody's Investors Service (Moody's) and Fitch Ratings. Platte River's investments in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA) were rated Aaa by Moody's and AAA by S&P. Temporary Liquidity Guarantee Program (TLGP) Corporate Notes are explicitly backed by the "full faith and credit of the United States" and rated AAA by the rating agencies.

Concentration of Credit Risk

Platte River's investment policy states that assets held in Platte River's funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of December 31, 2010, Platte River held investments in specific issuers of more than 5% in FFCB, FHLB, FHLMC and FNMA. These investments are 9%, 8%, 6%, and 20%, respectively, of Platte River's total investments (including outside investment pools and certificates of deposit).

Notes to Financial Statements December 31, 2010 and 2009 (continued)

6. Noncurrent Liabilities

Noncurrent liability activity for the year ended December 31, 2010, was as follows:

	December 31 2009	Additions	Reductions	December 31 2010	Due within one year
	<i>(In thousands)</i>				
Long-term debt, net	\$296,595	\$ –	\$(21,060)	\$275,535	\$19,365
Capitalized lease obligation	20,925	–	(2,103)	18,822	2,209
Regulatory liabilities and credits	3,243	3,203	–	6,446	–
Deferred reclamation liability	2,722	103	–	2,825	–
Disposal facility closure costs	169	14	–	183	–
Wind turbine reimbursement	468	–	(69)	399	72
Compensated absences	3,290	192	(60)	3,422	154
Total noncurrent liabilities	\$327,412	\$3,512	\$(23,292)	\$307,632	\$21,800

Noncurrent liability activity for the year ended December 31, 2009, was as follows:

	December 31 2008	Additions	Reductions	December 31 2009	Due within one year
	<i>(In thousands)</i>				
Long-term debt, net	\$273,226	\$114,325	\$(90,956)	\$296,595	\$21,505
Capitalized lease obligation	22,943	–	(2,018)	20,925	2,103
Regulatory liabilities and credits	433	2,810	–	3,243	–
Deferred credit from SO ₂ allowance sale	773	–	(773)	–	–
Deferred reclamation liability	2,720	2	–	2,722	–
Disposal facility closure costs	159	10	–	169	–
Wind turbine reimbursement	533	–	(65)	468	69
Compensated absences	3,260	357	(327)	3,290	168
Total noncurrent liabilities	\$304,047	\$117,504	\$(94,139)	\$327,412	\$23,845

7. Long-Term Debt

Long-term debt outstanding as of December 31, 2010 and 2009, consists of the following:

	Interest Rate	December 31	
		2010	2009
	<i>(In thousands)</i>		
Power Revenue Bonds—			
Series EE:			
Serial Bonds—			
6/1/2010–6/1/2018	4.00%–5.375%	64,080	77,335
Series GG:			
Serial Bonds—			
6/1/2010–6/1/2018	4.50%–5.00%	95,065	103,215
Series HH:			
Serial Bonds—			
6/1/2010–6/1/2029	3.00%–5.00%	114,225	114,325
		273,370	294,875
Unamortized bond premium		10,345	11,953
Deferred amount on refundings		(8,180)	(10,233)
Total revenue bonds outstanding		275,535	296,595
Less: due within one year		(19,365)	(21,505)
Total long-term debt, net		\$256,170	\$275,090

Fixed rate bond premium, bond issuance, and refinancing costs are amortized over the terms of the related bond issues.

Interest expense for the years ended December 31, 2010 and 2009, is comprised of the following:

	2010	2009
	<i>(In thousands)</i>	
Interest	\$14,226	\$14,638
Amortization of bond related costs	689	849
Total interest expense	\$14,915	\$15,487

Notes to Financial Statements

December 31, 2010 and 2009 (continued)

7. Long-Term Debt (continued)

Bond service funding requirements projected for all bonds outstanding are shown in the table below:

Year ending December 31	Principal	Interest	Total
	<i>(In thousands)</i>		
Deposits in 2010 for 2011 payment	\$11,296	\$1,147	\$12,443
2011	19,928	13,189	33,117
2012	20,940	12,175	33,115
2013	21,430	11,093	32,523
2014	22,112	9,979	32,091
2015	19,502	8,845	28,347
2016–2020	66,241	31,069	97,310
2021–2025	50,055	18,219	68,274
2026–2029	41,866	4,788	46,654
	\$273,370	\$110,504	\$383,874

In February 2009, Platte River issued \$114,325,000 Series HH Power Revenue Bonds at a true interest cost of 4.54%. The purpose of the bonds was to finance the construction costs of transmission projects.

On April 1, 2009, prior to the May 2, 2009 expiration date of a Standby Bond Purchase Agreement with JPMorgan Chase Bank, Platte River redeemed \$77,700,000 of the Series S-1 Subordinate Lien Bonds with cash reserves. The original maturity date of the Series S-1 Bonds was June 1, 2018.

In prior years, Platte River defeased certain revenue bonds by placing the proceeds of the refunding bonds and available cash in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Platte River's financial statements. As of December 31, 2010, \$33,500,000 of the defeased Series EE Bonds and \$16,975,000 of the defeased Series I Bonds remains outstanding.

Other Long-Term Debt

Wind turbine reimbursement represents a note payable to the City of Fort Collins for the acquisition of wind turbines. The note is payable in ten annual installments of \$92,000 each, beginning July 2006, which includes interest at 5.0%. The noncurrent portion of the wind turbine reimbursement is included as a component of deferred liabilities and the current portion is included in accrued liabilities and other in the balance sheets. The note is uncollateralized. Maturities are as follows as of December 31, 2010:

Year ending December 31	Principal	Interest	Total
	<i>(In thousands)</i>		
2011	\$72	\$20	\$92
2012	76	16	92
2013	80	12	92
2014	83	9	92
2015	88	5	93
Total note payments	\$399	\$62	\$461

Bond Service Coverage

Power revenue bonds are secured by a pledge of the revenues of Platte River after deducting operating expenses, as defined in the General Power Bond Resolution. All power revenue bonds issued by Platte River are subject to graduated redemption provisions. Principal and interest payments are met from net revenues earned from wholesale electric rates charged to the municipalities and others, and from interest earnings.

Under the General Power Bond Resolution, Platte River is required to charge wholesale electric energy rates to the municipalities that are reasonably expected to yield net revenues for the forthcoming 12-month period that are at least equal to 1.10 times total power bond service requirements. Under the General Power Bond Resolution, Platte River has established a Rate Stabilization Reserve Account. Deposits to this account are a reduction to current net revenues for purposes of computing bond service coverage. Future withdrawals will increase net revenues for purposes of computing bond service coverage and could assist Platte River, at such time, in meeting its wholesale rate covenant. The balances in the Rate Stabilization Reserve Account at December 31, 2010 and 2009 were \$20,583,000 and \$20,819,000, respectively, excluding accrued interest. The Rate Stabilization Reserve Account is included in dedicated funds and investments in the balance sheets.

The following table is a calculation of the power revenue and total revenue bond coverage ratios for the years ended December 31, 2010 and 2009:

	2010	2009
	<i>(In thousands)</i>	
Net revenues:		
Operating revenues	\$176,222	\$170,940
Operating expenses, excluding depreciation	132,040	120,318
Net operating revenues	44,182	50,622
Plus interest and other income ⁽¹⁾	2,220	7,407
Net revenues before rate stabilization	46,402	58,029
Rate stabilization:		
Deposits	–	–
Withdrawals	–	–
Total net revenues	\$46,402	\$58,029
Bond service:		
Power revenue bonds	\$34,460	\$35,641
Allowance for funds used during construction	(5,060)	(3,355)
Subordinate lien bonds	–	93
Net revenue bond service	\$29,400	\$32,379
Coverage:		
Power revenue bonds	1.58	1.80
Total revenue bonds	1.58	1.79

⁽¹⁾ Excludes unrealized holding gains and losses on investments.

Notes to Financial Statements

December 31, 2010 and 2009 (continued)

7. Long-Term Debt (continued)

Arbitrage Rebate

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. Interest income on bond proceeds that exceeds the cost of borrowing is payable to the federal government on every fifth anniversary of each bond issue. No arbitrage liability was outstanding as of December 31, 2010 and 2009.

8. Capitalized Lease Obligations

Under an agreement with the Municipal Subdistrict of the Northern Colorado Water Conservancy District, Platte River is entitled to an allocation of one-third of the available water from the Windy Gap Project, a water diversion facility completed May 1, 1985. Under the agreement, Platte River is obligated to pay each year one-third of the debt service and approximately one-third of the actual operating and maintenance costs of the Windy Gap Project. These payments, which totaled \$4,467,000 and \$4,120,000 in 2010 and 2009, respectively, have been included in operations and maintenance expenses in the accompanying statements of revenues, expenses and changes in net assets, as allowed under FASB ASC Topic 980. Platte River originally recorded \$41,590,000 as a capitalized lease for its water allotment and has recorded \$22,768,000 accumulated amortization as of December 31, 2010. The remaining liability of \$18,822,000 represents Platte River's share of principal amounts of the Subdistrict's Series H, I and J Bonds outstanding as of December 31, 2010. These amounts will be amortized over the terms of the Subdistrict's Water Revenue Bonds, which mature in 2017.

The following is a schedule of the future minimum lease payments for the capital lease:

Year ending December 31	<i>(In thousands)</i>
2011	\$3,162
2012	3,232
2013	3,241
2014	3,241
2015	3,243
2016-2017	6,792
	22,911
Less: amount representing interest	(4,089)
Total lease payments	18,822
Less: due within one year	(2,209)
Present value of future net payments	\$16,613

9. Regulatory Assets and Liabilities

Deferred Pension Expense

Platte River funds its defined benefit pension plan (Note 11) based on cost estimates developed on an actuarial basis. In addition to the base contribution, Platte River has an additional funding charge when the value of the assets is less than 100% of the liabilities. Effective January 1, 2010, the Board of Directors approved a policy under FASB ASC Topic 980 that provides for the expense recognition of any additional pension funding charge to be spread over a ten-year period. Each subsequent year's additional funding charge, if any, will be added to the regulatory prepaid asset and amortized over an additional ten-year period. The additional pension

funding charge for 2010 was \$3,161,000. The regulatory prepaid asset for deferred pension expense was \$2,845,000 as of December 31, 2010. Of this amount, \$316,000 will be recognized in 2011 and is included as a component of prepayments and other assets in the balance sheet.

Accrued Maintenance Outage Costs

As allowed under FASB ASC Topic 980, an accrual for the estimated incremental expenses of future scheduled major maintenance outages is recorded each year. The accrual estimate includes maintenance and replacement power costs for the next major maintenance outage planned for April 2012. As of December 31, 2010 and 2009, \$6,446,000 and \$3,243,000, respectively, was accrued as a liability for the 2012 major maintenance outage planned for Rawhide Unit 1.

10. Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt, is comprised of the following as of December 31, 2010 and 2009:

	2010	2009
	<i>(In thousands)</i>	
Electric utility plant	\$619,731	\$582,922
Unspent Series HH Bond proceeds	8,807	63,177
Unamortized bond issuance costs	1,590	1,834
Long-term debt, net	(275,535)	(296,595)
Capitalized lease obligation	(18,822)	(20,925)
Other long-term debt payable	(399)	(468)
Accounts payable incurred for capital assets	(8,611)	(11,462)
	\$326,761	\$318,483

11. Defined Benefit Pension Plan

The Platte River Power Authority Defined Benefit Plan (the Plan) is a single-employer, defined benefit pension plan administered by Platte River. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. All regular Platte River employees hired prior to September 1, 2010 are covered by the Plan. Retirement benefits are based upon years of service rendered and salaries earned by the employee in accordance with the Plan's provisions. Benefit provisions of the Plan are determined and authorized by the Board of Directors of Platte River. Platte River issues publicly available financial statements and required supplementary information for the Plan. The report may be obtained from Platte River.

All contributions to the Plan are authorized by the Board of Directors and made by Platte River. The Plan's funding policy is intended to fund current service costs as they accrue, plus an additional funding charge if the market value of the assets is less than 100% of the actuarial present value of accumulated plan benefits. For the year ended December 31, 2010, the annual pension cost and required contribution by Platte River was \$7,736,000. There was no net pension obligation for the years ended December 31, 2010 and 2009.

Notes to Financial Statements

December 31, 2010 and 2009 (continued)

11. Defined Benefit Pension Plan (continued)

The annual required contribution for the current year was determined as part of the January 1, 2009, actuarial valuation using the frozen-initial-liability method. The actuarial assumptions included: (a) 8% investment rate of return, (b) 4.5% projected salary increase due to inflation, merit and seniority, and (c) 3.75% per year cost-of-living adjustment for participants in pay status prior to January 1, 1992, and 2.5% per year for all other participants. The actuarial value of Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

Three-year trend information for Platte River's pension cost and contributions is as follows:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>(In thousands)</i>			
2008	\$2,673	100.0%	\$ -
2009	2,867	100.0	-
2010	7,736*	100.0	-

* As described in Note 9, \$2,845,000 of this amount has been deferred.

A schedule of funding progress for the Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
<i>(In thousands)</i>						
1/1/08	\$55,964	\$55,964	\$ -	100.0%	\$16,320	-
1/1/09	52,989	52,989	-	100.0	18,521	-
1/1/10	58,486	58,486	-	100.0	17,714	-

12. Defined Contribution Pension Plan

Effective September 1, 2010, the Board of Directors established the Platte River Power Authority Defined Contribution Plan (in accordance with the Internal Revenue Code Section 401(a)) for all regular employees hired on or after that date. As of December 31, 2010, there were two plan participants. The plan's assets are held in an external trust account. The general manager of Platte River is the plan administrator and benefit provisions and contribution requirements are authorized and may be amended by the Board.

Platte River's required and actual contribution for plan participants was 5% of their earnings for the year 2010. Platte River will also contribute to the 401(a) an amount equal to fifty percent of the participant's contributions to a separate 457(b) plan, taking into account only such participant contributions up to six percent of the participant's earnings. For the year ended December 31, 2010, contributions to the 401(a) plan by Platte River were \$3,000. The Plan reports and accounts on the accrual basis of accounting.

13. Contribution of Fiber Optic Network to Municipalities

During 1998, Platte River constructed a fiber optic network around the four municipalities to which it provides electric service. The surplus capacity in the network built around the City of Longmont was contributed to the City of Longmont in 1998 and was recorded as a return of capital. Platte River retained ownership of the remaining fiber optic network, and in 1999, began leasing surplus portions of the dark fiber for the benefit of each of the remaining three municipalities to independent telecommunication service providers. The lease payments received are flowed through to each of the three municipalities, net of Platte River's costs.

14. Insurance Programs

Platte River has purchased insurance policies to cover the risk of loss related to various general liability and property loss exposures. The amount of insurance settlements has not exceeded insurance coverage in the past three years. Platte River also provides a self-insured medical and dental plan to its employees. Medical stop-loss insurance has been purchased, which covers losses in excess of \$135,000 per person per incident. A liability was recorded for estimated medical and dental claims that have been incurred but not reported of \$204,000 at December 31, 2010 and \$253,000 at December 31, 2009. A third party administrator is used to account for the health insurance claims and provides the estimated medical claims liability based on prior claims payment experience. The medical claims liability is included as a component of accounts payable in the balance sheets.

Changes in the balance of the medical claims liability during 2010 and 2009 were as follows:

	2010	2009
<i>(In thousands)</i>		
Medical claims liability, beginning of year	\$253	\$313
Current year claims and changes in estimates	2,022	1,981
Claim payments	(2,071)	(2,041)
Medical claims liability, end of year	\$204	\$253

15. Commitments and Contingencies

Platte River has long-term purchase power contracts with the Western Area Power Administration through September 30, 2024. The federal hydroelectric power currently received provides approximately 20% of the resources needed by Platte River to serve the loads of the four owner municipal systems. The contract rates and the amount of energy available are subject to change. During 2010, Platte River purchased \$17,940,000 under these contracts.

Platte River and three of the other four participants in the Yampa Project own Trapper Mine, the primary source of coal for the Yampa Project. The original contract provided delivery of specified amounts of coal to each Yampa Participant through 2014. In September 2009, the contract was extended through 2020. Supplemental coal will be supplied through the year 2017 under a contract with ColoWyo Coal Company. These contracts are subject to price escalation adjustments. During 2010, coal purchases totaled \$11,488,000 from Trapper Mine and \$5,227,000 from ColoWyo Coal Company.

Notes to Financial Statements December 31, 2010 and 2009 (continued)

15. Commitments and Contingencies (continued)

The Rawhide Energy Station's coal purchase and transportation agreements originally scheduled to expire December 31, 2007 have both been extended under multiple-year contracts. Base prices for these contracts are subject to future price adjustments. During 2010, Platte River purchased \$23,328,000 under these agreements.

Platte River has committed to purchase Renewable Energy Credits (RECs) for the years 2011 through 2024 with future payments of \$7,248,000. During 2010, Platte River purchased \$494,000 under these REC agreements. In addition, Platte River has committed to purchase renewable wind energy output of 2.5 megawatts from Clipper Windpower Inc. through 2014 and 12 megawatts from Silver Sage Windpower, LLC through 2027. During 2010, Platte River purchased \$1,900,000 under these renewable wind energy agreements.

It is anticipated that the State of Colorado will pass environmental regulations requiring Craig Units 1 and 2 to upgrade its NOx emissions control equipment by 2016. Platte River's share of the cost and continued operation of these upgrades is estimated to be approximately \$50,000,000 through 2016.

In the ordinary course of business, Platte River may be impacted by various legal matters and is subject to legislative, administrative, and regulatory requirements relative to environmental issues. Although the outcomes of such matters is not possible to predict, management is aware of no pending legal matters or proposed environmental regulations for which the outcome is likely to have a material adverse effect upon Platte River's financial position or changes in financial position.

Platte River Power Authority Supplementary Information Budgetary Comparison Schedule

(unaudited)

	Year Ended December 31, 2010		Variance Favorable/ (Unfavorable)
	Budget	Actual	
	<i>(In thousands)</i>		
Revenues			
Operating revenues:			
Municipal sales	\$140,397	\$158,264	\$(2,133)
Contract surplus sales	5,502	5,118	(384)
Short-term surplus sales	35,735	32,840	(2,895)
Total operating revenues	181,634	176,222	(5,412)
Nonoperating revenues ⁽¹⁾ :			
Interest income	2,826	1,790	(1,036)
Other income	387	450	43
Total nonoperating revenues	3,213	2,220	(993)
Total revenues	184,847	178,442	(6,405)
Funds provided from prior reserves	53,343	52,707	(636)
Total sources	\$238,190	\$231,149	\$(7,041)
Expenditures			
Operating expenses ⁽²⁾ :			
Purchased power	\$27,562	\$27,509	\$53
Fuel expense	46,493	46,297	196
Production expenses	44,012	42,140	1,872
Transmission expenses	5,857	4,714	1,143
Administrative and general	11,954	11,248	706
Total operating expenses	135,878	131,908	3,970
Debt service expenditures ⁽³⁾ :			
Interest expense	14,225	14,225	-
Principal	20,257	20,257	-
Allowance for funds used during construction	(4,776)	(5,060)	284
Total debt service expenditures	29,706	29,422	284
Capital additions ⁽⁴⁾ :			
Production	13,608	8,955	4,653
Transmission	57,291	58,886	(1,595)
General	1,707	1,978	(271)
Total capital additions	72,606	69,819	2,787
Total expenditures	\$238,190	\$231,149	\$7,041

(1) Interest income excludes unrealized investment holding gains and losses.

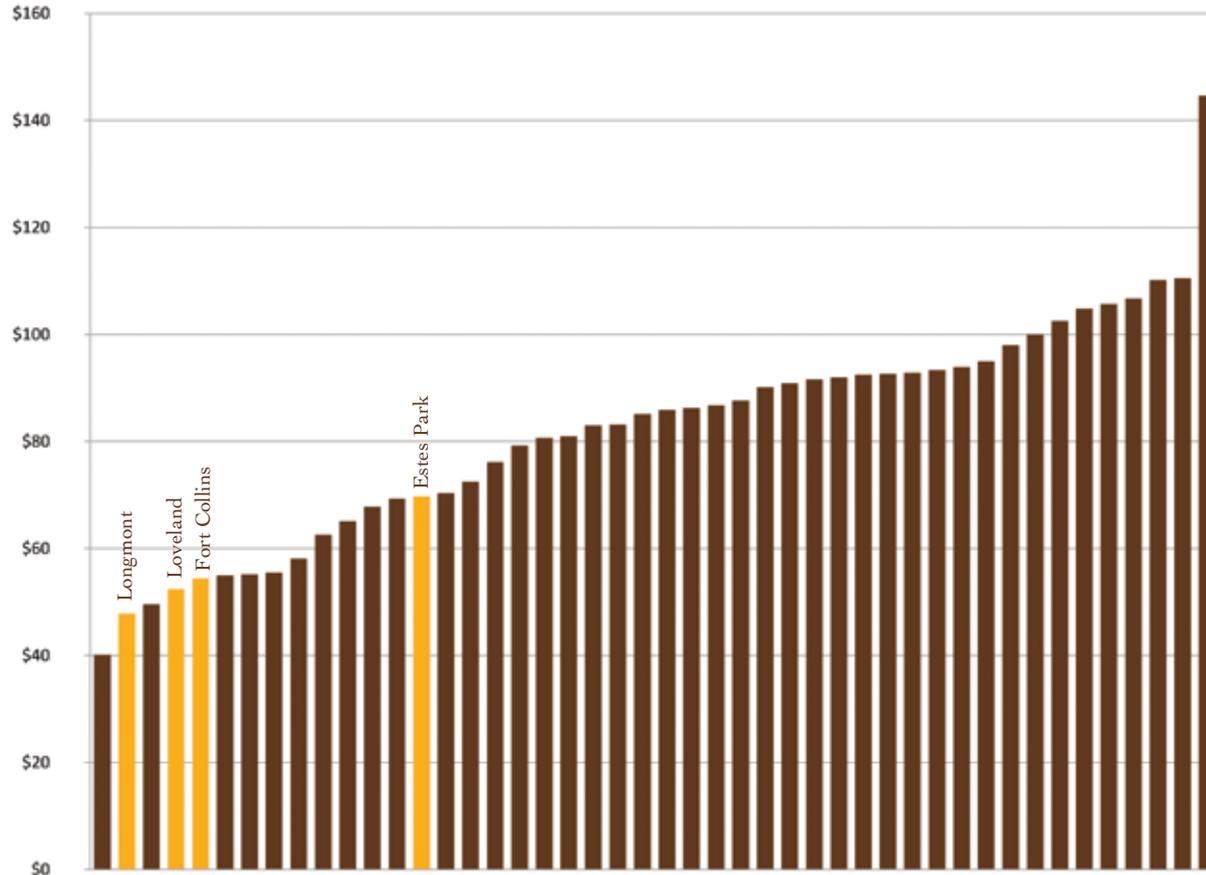
(2) Operating expenses do not include depreciation and other nonappropriated expenses.

(3) Debt service expenditures represent monthly principal and interest funding to the bond service accounts.

(4) Includes additions to preliminary projects.

Monthly Residential Electric Bills - Colorado Utilities

(based on 700 Kwh/Month)



Source: Colorado Association of Municipal Utilities survey, July 2010

Photo and Graphic information—

- Inside front cover - Platte River Headquarters, Fort Collins, Colorado
 - Page 2 - Photo taken by Stenbakken Photography
 - Page 3 - Bottom photos taken by Skillman Photography
 - Page 6 - Silo containing powdered activated carbon used for reducing mercury emissions at the Rawhide Energy Station
 - Page 7 - Windy Gap Project. Graphic provided by Northern Water
 - Page 8 - Helicopter used to install new overhead transmission line in Longmont, Colorado
 - Page 9 - Photos from Silver Sage Windpower Project near Cheyenne, Wyoming, and from construction projects in Fort Collins and Longmont, Colorado
 - Page 11 - (top left) Gretchen Stanford (left), Loveland Water and Power and Melissa Wangnild, Platte River Power Authority at Great Light Bulb Roundup (bottom right) Jon Little, Platte River Power Authority; Clark Evans, Loveland Orchards ACE Hardware; and Lindsey Bashline, Loveland Water and Power at Great Light Bulb Roundup
 - Page 12 - Photos from Platte River Headquarters energy efficiency project by Facilities staff
 - Page 13 - Aerial photo of the Rawhide Energy Station looking to the southwest
 - Page 15 - Bottom photos taken by Skillman Photography
- All photos taken by Rae A. Todd, except as noted



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